

**TESTIMONY PRESENTED BEFORE THE APPROPRIATIONS,
COMMERCE AND HOUSING COMMITTEES
April 30, 2014**

Evonne M. Klein, Commissioner
Department of Housing

***SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
ALLOCATION PLAN FOR FEDERAL FISCAL YEAR 2014***

Good morning honorable chairs and members of the Appropriations, Commerce, and Housing committees. As you know, Commissioner Klein is unable to attend this morning's hearing but I am providing testimony on her behalf. I am Nick Lundgren, Deputy Commissioner of the Department of Housing (DOH), and am happy to have the privilege of coming before you today to discuss the allocation of federal grant funds in accordance with Section 4-28b of the Connecticut General Statutes. With me are Michael Santoro, who leads DOH's policy, research and housing support programs unit, and Bruce Sheridan, a Community Development Agent who specializes in the administration of the CDBG-Small Cities program.

I am very pleased to be able to submit the state's CDBG-Small Cities Allocation Plan for federal fiscal year 2014 for your review and approval.

This Allocation Plan outlines the strategies, goals, and objectives the state will utilize to meet the goals of the federal program under which these block grant funds are issued and the methodology and criteria by which these funds will be awarded and administered. The Allocation Plan was developed in accordance with federal regulations and Connecticut's 2010-2015 Consolidated Plan for Housing and Community Development.

DOH's CDBG-Small Cities Program funding allocation for the period beginning July 1, 2014 through June 30, 2015 is \$11,958,150, which represents a reduction of about 0.5% from federal fiscal year 2013. Obviously, we are disappointed with any reduction in the amount of funds available for this program but we understand that grant amounts are based on a statistical formula that the federal government uses to measure community need. This formula considers such factors as poverty rate, population size, and age of housing. The trending reduction in federal funds for housing programs amplifies the importance of Governor Malloy's unprecedented financial commitment to the creation and preservation of affordable housing in Connecticut.

In reviewing the current status of our program, staff has identified unallocated “technical assistance” funds that have accumulated from prior year allocations. Each year, the State designates 1% of the total allocation for the provision of “technical assistance” to our grantees. These “technical assistance” funds can only be made available to municipalities that are awarded a CDBG-Small Cities grant and are typically used to provide training, informational materials and other forms of technical assistance. Any unexpended funds are rolled over to the next program year.

Since 2009, the amount of funds reserved exclusively for technical assistance has exceeded the technical assistance expenditures we have made. We now propose to reallocate \$400,000 of these funds so that we can make additional grants to municipalities. This would replace a majority of the funds lost during this year’s 0.5% reduction.

DOH is not proposing any other substantial changes to our administration of the program for this funding period, and due to your familiarity with the program, I would like to focus today on an update of the program’s recent activity.

During the past year, DOH continued to administer the CDBG-Small Cities Program through a competitive application process. In response to our 2013 funding allocation request for applications, we received 37 applications requesting a total of \$17,750,000. All applications were reviewed for overall quality, compliance with threshold requirements, and rated and ranked based on our published evaluation criteria. Funding awards were based on these rating and ranking scores. Ultimately, 26 applications requesting a total of \$11,850,000 were funded from the 2013 federal allocation.

Among other criteria, we consider readiness to proceed a critical factor in the evaluation of an application. As a result, all CDBG-Small Cities Program applications that received 2013 grant awards are currently under contract and are in the process of implementation.

In advance of the application process for the projects to be awarded funding from the 2014 federal funding allocation, we again solicited public comment on our program’s rating and ranking criteria and point system. None of the changes this year entail any modification to the broad categories of evaluation criteria, which include: (1) Affordability, Marketability, and Fair Housing and Equal Opportunity;

(2) Project Feasibility and Readiness to Proceed; (3) Applicant/Sponsor Capacity; and (4) Responsible Growth, Livability Initiatives, and Community Impact.

DOH continues to look at ways to improve the CDBG-Small Cities program. To do this, we continually reach out to our constituent communities, the general public and our national partners to seek their comments and make revisions to our program guidelines, our rating and ranking, and our internal procedures.

In response to direction from these committees, DOH is continuing the accelerated schedule adopted last year for the CDBG-Small Cities Program application process. In accordance with this new schedule, the annual 2014 application workshop was held on January 29, 2014. Approximately 65 municipalities or their representatives attended this workshop. In addition, the application deadline for the 2014 funding allocation was moved to April 7, 2014.

After completion of the full application review, which we anticipate will occur in early June, we expect to announce awards before the end of the current program year. This will enable municipalities awarded funding to execute contracts for these funds during the summer and access funds immediately thereafter.

In closing, the CDBG-Small Cities Program continues to be an extremely effective community development tool in Connecticut's smaller communities. Projects funded throughout the state are improving infrastructure, rehabilitating homes, providing ADA improvements, assisting in public housing modernization, creating jobs and addressing health and welfare issues. For federal fiscal year 2013, DOH, as in prior years, committed its entire federal allocation. DOH expects to do the same in federal fiscal year 2014. Our goal is to assist as many communities with their critical community development needs as our federal funding allows.

DOH's administration of the CDBG-Small Cities Program has been exceptional. DOH looks forward to both continuing this legacy and continually seeking to improve upon our success.

If you have any questions on either my testimony or the Allocation Plan, I would be more than happy to answer them now. Thank you.

